

City of Fresno

Compliance Reports and Other Financial Information
Year Ended June 30, 2004

McGladrey & Pullen
Certified Public Accountants

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an affiliation of separate and independent legal entities.

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City of Fresno

**Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2004**

Federal Grantor/Pass-through Grantor/Program and/or Project Title	Federal CFDA Number	Pass-through Grantor	Pass-through Entity Identifying Number or Grant Number	Federal Expenditures
U.S. Department of Housing and Urban Development 2003 HUD Public Housing Drug Elimination Project, Pass-through Program	14.193	Housing Authorities, City	01-01-03	\$ 50,795
Total Pass-through HUD Program				<u>50,795</u>
Entitlement Cluster				
Community Development Block Grants/Entitlement Grants, Direct Program				
FY04 Community Development Block Grant	14.218*		B-03-MC-06-001	7,687,271
FY03 Community Development Block Grant	14.218*		B-02-MC-06-001	303,198
FY02 Community Development Block Grant	14.218*		B-01-MC-06-001	15,822
FY01 Community Development Block Grant	14.218*		B-00-MC-06-001	1,221
Total Direct CDGB Program				<u>8,007,512</u>
Emergency Shelter Grant Program, Direct Program				
FY04 Emergency Shelter Grant	14.231		S-02-MC-001	219,409
FY03 Emergency Shelter Grant	14.231		S-01-MC-001	104,218
Total Direct ESG Program				<u>323,627</u>
HOME Investment Partnership Program, Direct Program				
FY04 HOME	14.239		R-06-MC-06-0205	3,572,783
FY03 HOME	14.239		R-02-MC-06-0205	913,392
FY02 HOME	14.239		R-01-MC-06-0205	2,995
FY00 HOME	14.239		R-99-MC-06-0205	17,492
Total Direct HOME Program				<u>4,506,662</u>
<i>Total U.S. Department of Housing and Urban Development</i>				<u>12,888,596</u>
U.S. Department of Interior				
Historic Preservation, Pass-through Program— 2003 California Historic Preservation Fund, Chinatown Historic District	15.904	CA Department of Parks and Recreation	C8939541	1,387
Total Pass-through HPF Program				<u>1,387</u>
Urban Park and Recreation Recovery, Direct Program				
Rehab of Fink-White Playground	15.919		06CTY13700201	263,419
Rehab of Frank H Ball Playground	15.919		06CTY137000101	2,507
Total Direct UPARR Program				<u>265,926</u> **

* Denotes major program.

** Program expenditure is net of local match requirement.

CFDA—Catalog of Federal Domestic Assistance

N/A—Not applicable and/or available

See Notes to Schedule of Expenditures of Federal and State Awards.

City of Fresno

Schedule of Expenditures of Federal and State Awards, Continued
Year Ended June 30, 2004

Federal Grantor/Pass-through Grantor/Program and/or Project Title	Federal CFDA Number	Pass-through Grantor	Pass-through Entity Identifying Number or Grant Number	Federal Expenditures	
U.S. Department of Interior, Continued					
Urban Park and Recreation Recovery, Pass-through Program—Development of Victoria West Park	15.919	CA Department of Parks and Recreation	C8939007	\$ 364	
Total Pass-through UPARR Program				<u>364</u>	**
National Park Service, Pass-through Program— Rivers, Trails and Conservation Assistance for San Joaquin Parkway/MacMichael Loop	15.921	CA Department of Parks and Recreation, San Joaquin River Conservancy	SJRC0301	15,962	
Total Pass-through NPS Program				<u>15,962</u>	
<i>Total U.S. Department of Interior</i>				<u>283,639</u>	
U.S. Department of Justice					
Office of Justice Programs/Office of Juvenile Justice and Delinquency Prevention, Pass-through Program— 02 Juvenile Accountability Incentive Block Grant	16.523	CA Board of Corrections	IP02016675	136,212	**
Office of Justice Programs/Office of Juvenile Justice and Delinquency Prevention, Pass-through Program—Underage Drinking Program with CSUF	16.727	CA Office of Traffic Safety Dept of Alcoholic Beverage Control	02PTS-01	28,100	
Total Pass-through OJJDP Program				<u>164,312</u>	
Office of Justice Programs, Pass-through Program— 2003 Violence Against Women Law Enforcement Specialized Units Program	16.588	CA Office of Emergency Services	LE033Q6675	105,289	**
Total Pass-through OJP Program				<u>105,289</u>	
Office of Justice Programs/Bureau of Justice Assistance, Direct Program					
2001 Local Law Enforcement Block Grants	16.592		2001LBBX3000	92,158	
2002 Local Law Enforcement Block Grants	16.592		2002LBBX2500	719,215	
2003 Local Law Enforcement Block Grants	16.592		2003-LB-BX-0099	224,990	
Total Direct BJA Program				<u>1,036,363</u>	**

* Denotes major program.

** Program expenditure is net of local match requirement.

CFDA—Catalog of Federal Domestic Assistance

N/A—Not applicable and/or available

See Notes to Schedule of Expenditures of Federal and State Awards.

City of Fresno

Schedule of Expenditures of Federal and State Awards, Continued
Year Ended June 30, 2004

Federal Grantor/Pass-through Grantor/Program and/or Project Title	Federal CFDA Number	Pass-through Grantor	Pass-through Entity Identifying Number or Grant Number	Federal Expenditures
U.S. Department of Justice, Continued				
Office of Justice Programs/Office of Weed and Seed, Pass-through Program				
2002 Weed and Seed	16.595	United Way, Fresno Cty	2002-WS-QX-0045	\$ 70,901
2002 Weed and Seed	16.595	United Way, Fresno Cty	2002-WS-QX-0025	98,514
2003 Weed and Seed	16.595	United Way, Fresno Cty	2004-WS-Q4-0047	24,587
2003 Weed and Seed	16.595	United Way, Fresno Cty	2004-WS-Q4-0041	35,087
Total Pass-through OWS Program				<u>229,089</u>
Office of Community Oriented Policing Services, Direct Program				
COPS Universal Hiring Award	16.711*		2002ULWX0061	1,256,542
COPS in Schools Award (Modified)	16.711*		2002SHWX0657	86,874
COPS Technology Grant Award	16.711*		2002CKWX0018	395,535
COPS Technology Grant Award	16.711*		2002CKWX0019	7,446
Total Direct OCOPS Program				<u>1,746,397</u> **
<i>Total U.S. Department of Justice</i>				<u>3,281,450</u>
U.S. Department of Transportation				
Federal Aviation Administration, Direct Program—				
Airport Improvement Program				
AIP, Terminal/Concourse Expansion	20.106		DTFA08-00-C-31044	172,567
AIP, Rehab Runways Phase I	20.106		DTFA08-01-C-31182	1,654,932
AIP, Noise Mitigation for Residences	20.106		DTFA08-01-C-31179	1,385,476
AIP, Airport Master Study Plan	20.106		DTFA08-01-C-31147	1,613
AIP-43 FF03	20.106		DTFA08-03-C-31415	27,691
AIP-44 FF03	20.106		DTFA08-03-C-31437	55,746
AIP-45 FF04	20.106		DTFA08-04-C-31476	2,618
AIP, Air Cargo Apron Phase III & Security	20.106		DTFA08-02-C-31263	289,968
AIP, Land for Noise Compatibility/Reloc	20.106		DTFA08-02-C-31274	24,832
AIP, FAR Part 150 Study	20.106		DTFA08-02-C-31317	165,282
AIP, Rehab Chandler Runway & Apron	20.106		DTFA08-00-C-31046	1,362,155
AIP, Rehab Chandler Runway Phase II	20.106		DTFA08-01-C-31168	1,183,578
AIP, Conduct Chandler Master Plan Study	20.106		DTFA08-01-C-31146	54,549
AIP, Rehab Chandler Runway Phase III	20.106		DTFA08-02-C-31264	223,650
AIP-08 FY03	20.106		DTFA08-03-C-31417	240
Total Direct FAA Program				<u>6,604,897</u> **

* Denotes major program.

** Program expenditure is net of local match requirement.

CFDA—Catalog of Federal Domestic Assistance

N/A—Not applicable and/or available

See Notes to Schedule of Expenditures of Federal and State Awards.

City of Fresno

Schedule of Expenditures of Federal and State Awards, Continued
Year Ended June 30, 2004

Federal Grantor/Pass-through Grantor/Program and/or Project Title	Federal CFDA Number	Pass-through Grantor	Pass-through Entity Identifying Number or Grant Number	Federal Expenditures
U.S. Department of Transportation, Continued				
Highway Planning and Construction Cluster—Federal Highway Administration, Pass-through Program— Highway Research, Planning and Construction Program	20.205*	CA Department of Transportation	Master Agreement 06-5060	** \$ 7,126,485
Total Pass-through FTA Program				<u>7,126,485</u>
Federal Transit Cluster—Federal Transit Capital Investment Grants, Direct Program				
FY03 Federal Transit Capital Investment Grant Bus Purchase	20.500*		CA-03-0604-00	577,542
FY04 Federal Transit Capital Investment Grant Bus Purchase	20.500*		CA-03-0667	309,514
Total Direct FTA Program				<u>887,056</u>
Federal Transit Administration, Direct Program				
FY97 Urban Mass Transportation Capital, Planning, Operating Assistance	20.507*		CA-90-X826-00	57,816
FY98 Urban Mass Transportation Capital, Planning, Operating Assistance	20.507*		CA-90-X892-00	73,526
FY00 Urban Mass Transportation Capital, Planning, Operating Assistance	20.507*		CA-90-Y021-00	1,243,037
FY01 Urban Mass Transportation Capital, Planning, Operating Assistance	20.507*		CA-90-Y103-00	5,003,200
FY02 Urban Mass Transportation Capital, Planning, Operating Assistance	20.507*		CA-90-Y137-01	990,545
FY03 Urban Mass Transportation Capital, Planning, Operating Assistance	20.507*		CA-90-Y229-00	289,644
2002 Emergency Preparedness Drill	20.507*		CA-40-X013-00	4,000
FY04 Urban Mass Transportation Capital, Planning, Operating Assistance	20.507*		CA-90-Y309-00	6,002,124
Total Direct FTA Program				<u>13,663,892</u> **

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See Notes to Schedule of Expenditures of Federal and State Awards.

City of Fresno

Schedule of Expenditures of Federal and State Awards, Continued
Year Ended June 30, 2004

Federal Grantor/Pass-through Grantor/Program and/or Project Title	Federal CFDA Number	Pass-through Grantor	Pass-through Entity Identifying Number or Grant Number	Federal Expenditures
U.S. Department of Transportation, Continued				
Federal Transit Capital Assistance Program for Elderly and Disabled Persons, Pass-through Program FY02/03 Elderly and Disabled Transit Program (Purchase & Paratransit Vehicles)	20.513	CA State Transportation Commission	G-02-18	\$ 352,246
FY03/04 Elderly and Disabled Transit Program (Purchase & Paratransit Vehicles)	20.513	CA State Transportation Commission	N/A	6,899
Total Pass-through FTA Program				<u>359,145</u>
Highway Safety Cluster—National Highway Traffic Safety Administration, Pass-through Program				
Coalition to Increase Traffic Education	20.600	CA Office of Traffic Safety	AL0387	57,467
Remove Alcohol Impaired Drivers	20.600	CA Office of Traffic Safety	AL0117	30,460
CA Seat Belt Compliance Campaign	20.600	CA Office of Traffic Safety	IN31001	-
CA Seat Belt Compliance Campaign	20.600	CA Office of Traffic Safety	IN41002	92,890
Keep All Occupants Seatbelted	20.600	CA Office of Traffic Safety	OP0111	44,375
Safety Education Awareness Training (SEAT)	20.600	CA Office of Traffic Safety	CB0402	50,913
Sobriety Checkpoints	20.600	CA Office of Traffic Safety	AM04048	88,719
Railroad Crossing Safety	20.600	CA Office of Traffic Safety	PT0220	32,655
Total Pass-through NHTSA Program				<u>397,479</u>
Research and Special Programs Administration, Pass-through Program				
Interagency Haz Mat Public Sector Training and Planning "Shelter in Place" 2002	20.703	CA Office of Emergency Services	HMECA2033100-18	4,231
Interagency Haz Mat Public Sector Training and Planning "Shelter in Place" Video Production 2002	20.703	CA Office of Emergency Services	HMECA2033100-19	2,359
Total Pass-through RSPA Program				<u>6,590</u> **
<i>Total U.S. Department of Transportation</i>				<u>29,045,544</u>
U.S. Department of Federal Mediation & Conciliation Service—Labor Management Cooperation Grant, Direct Program—Labor, Management Relationship Training				
	34.002		HS-83022201-0	12,359
<i>Total U.S. Department of Federal Mediation & Conciliation</i>				<u>12,359</u> **

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N/A—Not applicable and/or available

See Notes to Schedule of Expenditures of Federal and State Awards.

City of Fresno

Schedule of Expenditures of Federal and State Awards, Continued
Year Ended June 30, 2004

Federal Grantor/Pass-through Grantor/Program and/or Project Title	Federal CFDA Number	Pass-through Grantor	Pass-through Entity Identifying Number or Grant Number	Federal Expenditures
U.S. Department of Education—Improvement in Education Grant Program, Pass-through Program— Community Science Workshop on Wheels	84.215	Fresno Unified School District	R215K020177	\$ 65,330
	<i>Total U.S. Department of Education</i>			<u>65,330</u>
U.S. Department of Health and Human Services Medical Reserves Corp, Direct Program—2002/2003 Medical Reserve Corp Small Grant Program	93.008		US2SG02034-01-1	27,234
Total Direct MRC Program				<u>27,234</u>
Administration on Aging, Pass-through Program— Senior Hot Meals on Wheels	93.045	Fresno/Madera Area Agency on Aging	R215K020177	49,500
Total Pass-through HHS Program				<u>49,500</u>
	<i>Total U.S. Department of Health and Human Services</i>			<u>76,734</u>
U.S. Department of Homeland Security State Domestic Preparedness Equipment Support Program, Pass-through Program FY02 Homeland Security Domestic Preparedness Grant	97.004	Fresno Cty/CAOffice of Emergency Services	2002-133	296,366
FY03 Homeland Security Grant (Part 1)	97.004	Fresno Cty/CAOffice of Emergency Services	2003-167	175,289
FY03 Homeland Security Grant (Part 2)	97.004	Fresno Cty/CAOffice of Emergency Services	2003-35	258,313
Total Pass-through SDPES Program				<u>729,968</u>
Citizen Corps Program, Pass-through Program— 2002/2003 Citizen Corps/CERT Grant	97.053	State of CA Governor's Office on Service and Volunteerism	EMF-2003-GR-0315	26,836
Total Pass-through CCC Program				<u>26,836</u>
	<i>Total U.S. Department of Homeland Security</i>			<u>756,804</u>
Total expenditures of federal awards				<u>46,410,456</u>

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See Notes to Schedule of Expenditures of Federal and State Awards.

City of Fresno

Schedule of Expenditures of Federal and State Awards, Continued
Year Ended June 30, 2004

State or Local Grantor/Program and/or Project Title	Pass-through Grantor	Pass-through Entity Identifying Number or Grant Number	State Expenditures
CA State Citizens Option for Public Safety, Pass-through Program—COPS Supplemental Law Enforcement Services Fund	County of Fresno	COPS AB1913	\$ 604,637
	<i>Total CA Citizens Option For Public Safety</i>		<u>604,637</u>
CA State Department of Conservation—Division of Recycling, Community Outreach Branch, Direct Program			
01/02 & 02/03 Recycling Program		2001/2003	64,241
03/04 Recycling Program		2003/2004	95,417
	<i>Total CA Dept of Conservation</i>		<u>159,658</u>
CA State Office of Criminal Justice Planning, Pass-through Program			
CA Multi-Jurisdictional Methamphetamine Enforcement Teams 02/03	County of Fresno	MH01010100	92,712
CA Multi-Jurisdictional Methamphetamine Enforcement Teams 03/04	County of Fresno	MH01010100	278,903
	<i>Total CA Office of Criminal Justice Planning</i>		<u>371,615</u>
CA State Environmental Protection Agency—CA Integrated Waste Management Board, Direct Program			
02/03 Used Oil Block Grant—8th Cycle		UBG8-02-7912	112,946
02/03 Local Gov't Waste Tire Cleanup Matching Grant		TCU8-02-3	82,617
2002/2003 Waste Tire Enforcement Program		TEA8-02-15	152,932
2003/2004 Waste Tire Playground Cover Grant		TR29-03-13	6,421
	<i>Total CA Environmental Protection Agency</i>		<u>354,916</u>
CA State Department of Finance, Direct Program— 2002 CA Law Enforcement Equipment Program		FY02/03	7,738
	<i>Total CA Department of Finance</i>		<u>7,738</u>
CA State Department of Fish and Game Wildlife Conservation Board, Direct Program			
San Joaquin River Parkway L. Eaton Trail		WC-1032SW	61,844
San Joaquin River Parkway Friant Road		WC-2043TC	63,815
	<i>Total CA Department of Fish and Game</i>		<u>125,659</u>

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N/A—Not applicable and/or available

See Notes to Schedule of Expenditures of Federal and State Awards.

City of Fresno

Schedule of Expenditures of Federal and State Awards, Continued
Year Ended June 30, 2004

State or Local Grantor/Program and/or Project Title	Pass-through Grantor	Pass-through Entity Identifying Number or Grant Number	State Expenditures
CA State Department of Health Services, Direct Program —Tobacco Enforcement Grant		01-16102	\$ 144,071
	<i>Total CA Department of Health Services</i>		<u>144,071</u>
CA State Department of Highway Patrol—Office of Research & Planning, Direct Program—Demographic Data Collection		00-C5716	5,000
	<i>Total CA Department of Highway Patrol</i>		<u>5,000</u>
CA Office of Historic Preservation, Direct Program— California Heritage Fund Grant for the Santa Fe Depot		CH-10-001	100,000
	<i>Total CA Office of Historic Preservation</i>		<u>100,000</u>
CA State Department of Housing and Community Department, Direct Program—Community Code Enforcement Incentive Program		02-CEGP-8	29,871
	<i>Total CA Dept of Housing and Community Development</i>		<u>29,871</u>
CA State Department of Parks and Recreation—The Resources Agency, Direct Program			
Mosqueda Childrens' Playground Rehab		GF-10-007	7,184
Mosqueda Swim Pool/Picnic Area Improv		GF-10-008	6,206
Muex Home Historic Preservation		50-13-032	10,660
Sunnyside Playground Improvements		50-13-035	21,355
Roberti-Z'berg-Harris Urban Open Space & Recreation Block Grant		C2009038	50,830
Per Capita Grant Program 2002		C2003063	256,761
Murray-Hayden Program—2000 Bond Act		C2009603	-
Roberti-Z'berg-Harris Urban Open Space & Recreation Block Grant		C0209852	33,329
Per Capita Grant Program 2003		C0207067	31,029
	<i>Total CA Department of Parks and Recreation</i>		<u>417,354</u>

* Denotes major program.

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CFDA—Catalog of Federal Domestic Assistance

N/A—Not applicable and/or available

See Notes to Schedule of Expenditures of Federal and State Awards.

City of Fresno

Schedule of Expenditures of Federal and State Awards, Continued
Year Ended June 30, 2004

State or Local Grantor/Program and/or Project Title	Pass-through Grantor	Pass-through Entity Identifying Number or Grant Number	State Expenditures
CA State Department of Transportation			
Division of Local Transportation Assistance, Direct Program—Highway Research, Planning & Construction Program [State Portion]		Master Agreement 06-5060	\$ 551,728
Aeronautics Program of the California Transportation Commission, Direct Program			
AIP, State Match to Fed Proj #3-06-0088-04		Fre-2-01-1-Mat	69,627
AIP, State Match to Fed Proj #3-06-0088-05		Fre-2-01-3-Mat	53,880
AIP, State Match to Fed Proj #3-06-0088-06		Fre-2-01-2-Mat	1,710
Division of Traffic Congestion Relief, Pass-through Program—LNG Refuse Truck Equipment	SJV Unified Air Pollution District	C-1074	597,540
Transit Capital Improvement Funds, Direct Program— Fresno Intercity Rail Station		75A0045A/1	1,777,619
<i>Total CA Department of Transportation</i>			<u>3,052,104</u>
Fresno County Transportation Authority, Direct Program —Hugues/West Diagonal Highway Improvement Project		4014-1	523
<i>Total Fresno County Transportation Authority</i>			<u>523</u>
CA State Department of the Youth Authority, Direct Program—Dickey Playground Youth Development Center		99-261-A1	189,895
<i>Total CA Youth Authority</i>			<u>189,895</u>
San Joaquin Valley Unified Air Pollution Control District, Direct Program			
Heavy-Duty Engine Emission Reduction 2001		C-300	114,257
Heavy-Duty Engine Emission Reduction Incentive Program—Purchase 56 Cleaire Retrofit Kits		C-1247	840,000
Heavy-Duty Engine Emission Reduction Incentive Program 2003		C-1305	39,124
2003 Alternative Fuel Infrastructure Program—LNG Fueling Station		ALI-015	300,000
<i>Total SJV Unified Air Pollution District</i>			<u>1,293,381</u>
Total expenditures of state awards			<u>6,856,422</u>
Total expenditures of federal and state awards			<u>\$ 53,266,878</u>

* Denotes major program.

** Program expenditure is net of local match requirement.

CFDA—Catalog of Federal Domestic Assistance

N/A—Not applicable and/or available

See Notes to Schedule of Expenditures of Federal and State Awards.

City of Fresno

Notes to Schedule of Expenditures of Federal and State Awards

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal and state awards (the Schedule) presents the activity of all federal and state award programs of the City of Fresno, California, (the City). The Schedule includes federal awards received directly from federal agencies, as well as federal awards passed through other agencies. The City's reporting entity is defined in Note 1 to the City's basic financial statements. Because the Schedule presents only a selected portion of the operations of the City, it is not intended to, and does not, present the financial position of the City.

The accompanying Schedule is presented on the modified-accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2. Subrecipients

Of the federal expenditures presented in the Schedule, the City provided federal awards to subrecipients as follows:

Program Title Provided	Federal	
	CFDA Number	Amount
Community Development Block Grant Entitlement Program	14.218	\$ 176,556
Emergency Shelter Grants	14.231	309,227

Note 3. Section 108 Loans

The City has four Section 108 loans outstanding at June 30, 2004. Semiannual payments on these Section 108 loans are made from interest earned on the restricted loan investments and from Community Development Block Grant funds, and are included in the federal expenditures for the Community Development Block Grant on the Schedule. Principal and interest payments on all four loans totaled \$986,134 for the year ended June 30, 2004, of which \$206,274 was paid from Community Development Block Grant funds.

As of June 30, 2004, there was \$2,049,767 of unspent Section 108 loan proceeds remaining. A summary of Section 108 loans outstanding as of June 30, 2004 is as follows:

CFDA #	Grant Loan Program	Unspent	Outstanding
		Loan Proceeds as of June 30, 2004	Loan Balances as of June 30, 2004
14.218	Section 108 Note, Fresno Pacific Towers	\$ 708,920	\$ 830,000
14.218	Section 108 Note, Regional Medical Center	1,060,489	2,495,000
14.218	Section 108 Note, Fresno-Madera Area Agency on Aging	7	1,325,000
14.218	Section 108 Note, Neighborhood Streets/Parks	280,351	1,463,000
		<u>\$ 2,049,767</u>	<u>\$ 6,113,000</u>

Notes to Schedule of Expenditures of Federal and State Awards

Note 4. Office of Criminal Justice Planning Disclosures

The following schedule represents the detail of expenditures for each Office of Criminal Justice Planning program for the year ended June 30, 2004:

	Federal/ State Match	Local Match	Total
Juvenile Accountability and Incentive Block Grant: Grant Award Number IP01016675:			
Personal services	\$ 136,212	\$ 15,135	\$ 151,347
Operating expenses	-	-	-
Equipment	-	-	-
	<u>136,212</u>	<u>15,135</u>	<u>151,347</u>
Violence Against Women Law Enforcement: Specialized Units Program—Grant Award Number LE033Q6675:			
Personal services	31,729	10,577	42,306
Operating expenses	73,560	24,579	98,139
Equipment	-	-	-
	<u>105,289</u>	<u>35,156</u>	<u>140,445</u>
California Multi-Jurisdictional Methamphetamine: Enforcement Teams Program—Grant Award Number MH01010100:			
Personal services	232,651	-	232,651
Operating expenses	24,941	-	24,941
Equipment	114,023	-	114,023
	<u>371,615</u>	<u>-</u>	<u>371,615</u>
Grand totals for the Office of Criminal Justice Planning Pass-through Programs:			
Personal services	400,592	25,712	426,304
Operating expenses	98,501	24,579	123,080
Equipment	114,023	-	114,023
	<u>\$ 613,116</u>	<u>\$ 50,291</u>	<u>\$ 663,407</u>

**Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in accordance with *Government Auditing Standards***

To the Honorable Mayor and
Members of the City Council
City of Fresno, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Fresno, California, (the City) as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 8, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention related to significant deficiencies in the design or operation of internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items RC# 2004-1 and RC# 2004-2.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of internal control over financial reporting would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the City's management, Mayor, City Council, federal and state awarding agencies and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

McGladrey & Pullen, LLP

Riverside, California
December 8, 2004

**Independent Auditor's Report on Compliance with Requirements Applicable to
Each Major Program and Internal Control over Compliance in accordance with
OMB Circular A-133 and on the Schedule of Expenditures Federal and State Awards**

To the Honorable Mayor and
Members of the City Council
City of Fresno, California

Compliance

We have audited the compliance of the City of Fresno, California, (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2004. The City's major federal programs are identified in the summary of independent auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal and State Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 8, 2004. We did not audit the financial statements of the Redevelopment Agency of the City of Fresno (the Agency), a blended component unit of the City which represents approximately 1.9% and 2.5%, respectively, of the entity-wide assets and revenues of the City, and we did not audit the financial statements of the City of Fresno Employees Retirement System and the City of Fresno Fire and Police Retirement System (collectively, the Retirement Systems), blended component units of the City, which represent 99.1% of the fiduciary fund assets. These financial statements of the Agency and the Retirement Systems were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Agency and the Retirement Systems of the City, is based on the reports of the other auditors. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by the U.S. OMB Circular A-133, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the City's management, Mayor, City Council, federal and state awarding agencies and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

McGladrey & Pullen, LLP

Riverside, California
December 8, 2004

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2004**

I. Summary of Independent Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Reportable condition(s) identified that are not considered to be material weaknesses? _____ Yes X None Reported
- Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major program:

- Material weakness(es) identified? _____ Yes X No
- Reportable condition(s) identified that are not considered to be material weakness(es)? _____ Yes X None Reported

Type of auditor's report issued on compliance for major programs: Unqualified

- Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? _____ Yes X No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.218	Community Development Block Grant Entitlement Programs
16.711	Community Oriented Policing Services Programs
20.205	Highway Research, Planning & Construction Program
20.500 & 20.507	Federal Transit Capital Investment and Administration Grants

Dollar threshold used to distinguish between type A and type B programs: \$ 1,392,314

Auditee qualified as low-risk auditee? X Yes _____ No

Schedule of Findings and Questioned Costs
Year Ended June 30, 2004

II. Findings Related to the Financial Statement Audit as Required to be Reported in accordance with Generally Accepted Government Auditing Standards

A. Reportable Conditions

RC# 2004-1—Risk Management

Risk Master, the City's property and general liability risk management software system, is not capable of meeting the City's financial reporting needs. The system's reporting deficiency's include: (1) the system not displaying future reserves on closed claims, (2) reflecting third-party recoveries as an offset against incurred balances instead of amounts paid and (3) not including paid totals and future reserves totals with incurred balances. As a result, the City has had to augment the data submitted to its actuary to determine the City's liability at year end with standardized industry information instead of actual results. We understand that the City is in the process of reviewing and evaluating various property and general liability risk management software that will adequately address the City's management and financial reporting needs.

We recommend that the City expedite the process of replacing this risk management software system with a system capable of meeting the City's management and financial reporting needs.

City response: The City concurs with this audit finding and in fact recognized early on that the Risk Master system had numerous deficiencies. The City has been diligently attempting to work with the Risk Master Support Team to resolve the issues. In early March 2005 representatives of Risk Master will be spending a concentrated week to assist the City in trying to resolve the system problems. After this in-depth evaluation, assessment and hands-on attempt to "fix" the system, if it is determined that the system still is not adequate for the City's needs, a Request for Proposal or recommended sole source contract will be drafted. Risk Management staff has already surveyed a number of other agencies in order to identify alternative Risk Information Management Systems should it become necessary to replace the City's existing system. No changes will be made without consultation with the Information Services Department and the City Council's consideration and direction.

In addition to system deficiencies, Risk Management staff intends to review and evaluate historical data entered into the system in order to assure itself that there are no erroneous data issues in addition to system problems that could be contributing to the reporting problems. The City recognizes that it is imperative that the system and historical data issues be resolved as expediently as possible as the City's financial statements and employee and City liability claims could be greatly impacted by erroneous data and system deficiencies.

RC# 2004-2—Inventory of Capital Assets

The City's Administrative Order 1-3 provides that each City department is responsible for coordinating a physical inventory of its capital assets every four years. Some City departments do not consistently adhere to this policy. Furthermore, with the adoption of Governmental Accounting Standards Board (GASB) Statement No. 34, there is an increased emphasis on capital asset accounting and the need to verify asset existence through periodic inventory.

We recommend that the City revise Administrative Order 1-3 to include that each City department perform a physical inventory of all capital assets owned at a minimum of not less than once every two years.

Schedule of Findings and Questioned Costs
Year Ended June 30, 2004

City response: Management recognizes the importance of complete and accurate capital asset reporting and concurs with the need for all departments to perform periodic physical inventories of their capital assets. The internal audit function presently has plans to begin working with departments on this issue and concurrently to review policies on the capitalization, acquisition and disposal of capital assets. Following internal audit's visit, departments will be expected to demonstrate proficiency in proper physical inventory methods, and to be aware of and follow City policy regarding capital asset reporting. At that time, departments will also be scheduled for their next physical inventory. This is a project of considerable magnitude, and the time required to visit and educate City departments will be substantial. Management will consider the possibility of adjusting the time interval between physical inventories.

B. Compliance Findings

None reported.

III. Findings and Questioned Costs for Federal Awards

A. Reportable Conditions

None reported.

B. Compliance Findings

None reported.

Summary Schedule of Prior Year Audit Findings
Year Ended June 30, 2004

I. Findings Related to the Financial Statement Audit as Required to be Reported in accordance with Generally Accepted Government Auditing Standards

A. Reportable Conditions

RC# 2003-01—Year-end Closing Process

Condition: As part of the year-end closing process, the City's financial reporting staff prepares several hundred journal entries to convert the financial statements to the modified accrual basis and/or accrual basis from the principally cash basis financial accounting system. These conversion entries are primarily prepared and posted to the general ledger by individuals assigned the responsibility of preparing the Comprehensive Annual Financial Report (CAFR). While staffing levels have remained relatively constant over the past several years, responsibilities and duties falling to the CAFR staff have significantly increased. However, in large part resulting from staffing constraints, these journal entries are not formally reviewed and approved by management prior to posting to the general ledger. During our audit, we noted several journal entries incorrectly posted to the general ledger that were not approved prior to posting.

Criteria: The year-end closing process completes the general ledger and enables the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America.

Effect: Internal control over the financial reporting process may be inadvertently bypassed due to time constraints and staffing issues which may result in inaccurate financial reporting that may not be identified in a timely manner by management.

Recommendation: We recommend that the City review its year-end closing process to ensure that all conversion journal entries prepared are approved by management prior to posting to the general ledger. Included in this review should be an assessment of the number of individuals assigned to the general ledger conversion process to determine what additional staff resources are needed. The City should also assess the training opportunities being provided to those individuals posting the conversion entries. With the addition of staff at the appropriate level, devoted to the CAFR function, and additional training, duties could be reassigned enabling senior CAFR staff to perform the review of conversion entries as well as other much needed and necessary functions.

Current status: The City generally agreed with the finding as presented. Through a staffing reorganization within the Finance Department, two positions within the Financial Reporting Section have been permanently filled. One of which was the Senior Accountant/Auditor position, vacated a year earlier, which plays a crucial role in the CAFR development process, including the review of the journal entries as noted above. The Department also filled a full-time Accountant/Auditor position which is dedicated to the CAFR process throughout the year. Both positions were filled without the necessity of adding additional FTEs. With this reorganization, appropriate management staff is currently in place to effectively carry out the internal control procedures already in place over financial reporting.

Each year, with the additional complexities of preparing the required GASB 34 CAFR presentation, the time necessary to prepare the CAFR is becoming more and more a year-round process. Staffing levels that were at one time adequate have become no longer so. The City will continue to evaluate staffing levels on an ongoing basis and will make adjustments as necessary in order to ensure that the City maintains the quality and quantity of personnel necessary to prepare the City's CAFR in a timely and efficient manner.

Summary Schedule of Prior Year Audit Findings
Year Ended June 30, 2004

B. Compliance Findings

None reported.

II. Findings and Questioned Costs for Federal Awards

A. Reportable Conditions

RC# 2002-03—Cost Allocation Plan

Condition: The City's Cost Allocation Plan (CAP) was last approved by its cognizant agency in 1997. The methodology employed in preparing the CAP has changed considerably over the last seven years since the last time the CAP was approved. In addition to being approved by the City's federal cognizant agency, the City's CAP must be approved by the State of California Department of Transportation (CALTRANS), the City's pass-through grantor for the Highway Research, Planning and Construction program for indirect costs charged to that program to be eligible for reimbursement. CALTRANS has not yet received the City's CAP. The CAP has historically been prepared to only capture costs of certain departments, and federal grants were never considered as a user or beneficiary of these departments when allocating these costs among users. We noted numerous indirect costs charged to federal awards that were not included in the City's CAP.

Criteria: OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, states that all central service costs that a local government intends to claim for reimbursement under a federal award must be included in its CAP.

Effect: Indirect costs omitted from the City's CAP and not approved by the City's federal cognizant agency and respective pass-through grantor agencies will not be reimbursed to the City. The City may also be liable to reimburse its grantors for indirect costs already requested and received. This could amount to significant costs the City will have to fund through different means.

Recommendation: We recommend that the City reevaluate its methodology in preparing the CAP to include all departments and cost centers the City intends to allocate costs to as user departments and grants based on current updated allocation methods. In addition, we recommend that the City submit this comprehensive CAP to its respective federal cognizant agency and pass-through agencies for approval at least six months prior to the beginning of the City's fiscal year in which it intends to claim these indirect costs for reimbursement.

Current status: The CAP was reviewed by the City's cognizant agency, the US Department of Housing and Urban Development Department (HUD), in 1997. The basis for the review was initiated by the Federal Aviation Administration (FAA) and targeted the City's indirect costs charged not being in agreement with an approved cost allocation plan. During the review, HUD determined that the City's CAP charges were in accordance with OMB Circular A-87. HUD also stated that the City's CAP had been approved about 14 years earlier and since the Single Audit review never indicated any major issues, HUD would not require the City to submit a revised CAP for their review unless there is a compelling reason to do so. The OMB states that local governments, unless identified as a major local government, need not submit plans for approval unless requested to do so by the agency responsible for reviewing plans.

Summary Schedule of Prior Year Audit Findings
Year Ended June 30, 2004

The Budget and Financial Reporting Sections of the Finance Department recognized that the previous Maximus CAP software program was old, outdated and not capable of a great amount of flexibility. The City reviewed several possible programs and has purchased an up-to-date CAP software program from Maximus which is very user friendly and adaptable to the City's needs.

A number of years ago, the City of Fresno created multiple internal service funds (ISF) to accomplish the specific goal of allowing central service departments (such as Finance, Personnel, Purchasing, Communications, Risk Management, ISD, etc.) to charge their costs directly to an appropriate department/division receiving services, instead of on an indirect cost basis, which can be difficult to maintain. The City considers that this approach allows for effective cost distribution, essential management information and operational control through the budget process. The City has evaluated the methodology of direct distribution of central service costs and has concluded that this approach fulfills the OMB Circular A-a7 requirements for reimbursements under any federal grant award. The City will continue to produce its cost allocation plan including only the departments of the City Clerk, City Manager, Mayor and Council, Public Works and Parks Administrations.

With respect to the City's CAP being approved by the State of California Department of Transportation (CalTrans) for indirect costs associated with construction projects funded through the Highway Research, Planning and Construction Grant Program, the Public Works Department is working with and following CalTrans direction for allocating administration and overhead costs across all its projects. The State will be evaluating the City's accounting system and treatment of the overhead allocations through an audit in the future.

B. Compliance Findings

None reported.

Independent Accountant's Report on Applying Agreed-upon Procedures

To the Honorable Mayor and
Members of the City Council
City of Fresno, California

We have performed the procedures enumerated below to the accompanying Appropriations Limit Calculation of the City of Fresno, California, (the City) for the year ended June 30, 2004. These procedures, which were agreed to by the City and the League of California Cities (as presented in the publication entitled *Agreed-upon Procedures Applied to the Appropriations Limitation Prescribed by Article XIII-B of the California Constitution*), were performed solely to assist the City in meeting the requirements of Section 1.5 of Article XIII B of the California Constitution. The City's management is responsible for the Appropriations Limit Calculation.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures performed and our findings were as follows:

1. We obtained the completed internal calculations and compared the limit and annual adjustment factors included in those calculations to the limit and annual adjustment factors that were adopted by a resolution of the City Council. We also compared the population and inflation options included in the aforementioned calculations to those that were selected by a recorded vote of the City Council.

Finding: No exceptions were noted as a result of our procedures.

2. For the accompanying Appropriations Limit Calculation, we added line A, last year's limit, to line E, total adjustments, and compared the resulting amount to line F, this year's limit.

Finding: No exceptions were noted as a result of our procedures.

3. We compared the current year information presented in the accompanying Appropriations Limit Calculation to the supporting calculations described in item 1 above.

Finding: No exceptions were noted as a result of our procedures.

4. We compared the prior year Appropriations Limit presented in the accompanying Appropriations Limit Calculation to the prior year Appropriations Limit adopted by the City Council during the prior year.

Finding: No exceptions were noted as a result of our procedures.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on the accompanying Appropriations Limit Calculation of the City. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. No procedures have been performed with respect to the determination of the Appropriations Limit for the base year, as defined by Article XIII B of the California Constitution.

This report is intended solely for the information and use of the Mayor, City Council and management of the City, and is not intended to be, and should not be, used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

McGladrey & Pullen, LLP

Riverside, California
December 8, 2004

City of Fresno

Appropriations Limit Calculation Year Ended June 30, 2004

	Amount	Source
A. Last Year's Limit	<u>\$ 295,939,183</u>	
B. Adjustment Factors:		
1. Population change	1.01490000	State Finance
2. Per capita income change	<u>1.02310000</u>	State Finance
Total adjustment [(B.1. x B. 2.) - 1.0]	<u>0.03834419</u>	
C. Annual Adjustment	<u>11,347,548</u>	(BxA)
D. Other Adjustments:		
1. Lost responsibility (-)	-	
2. Transfer to private (-)	-	
3. Transfer to fees (-)	-	
4. Assumed responsibility (+)	-	
Subtotal	<u>-</u>	(D1+D2+D3+D4)
E. Total Adjustments	<u>11,347,548</u>	(C+D)
F. This Year's Limit	<u><u>\$ 307,286,731</u></u>	(A+E)